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RUEHGP/AMEMBASSY SINGAPORE 6408
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FROM AIT KAOHSIUNG BRANCH OFFICE

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SUBJECT: Port of Kaohsiung Resumes Work on Tender for the
Sixth Container Terminal Project

Ref: A) Taipei 0142 B) 05 Taipei 4305 C) 05 Taipei 3393

¶1. Kaohsiung Harbor Bureau (KHB) recently resumed preparing a tender for construction of Kaohsiung's Sixth Container Terminal project, which had been suspended for nearly four months. KHB had originally planned to begin tendering invitations to prospective investors in October 2005 (Ref B), but it suspended the project's initial preparations because Taiwan's Legislature became suspicious of the inefficiencies of Build-Operate-Transfer (BOT) projects and decided to place a moratorium on all BOT projects, of which Kaohsiung's Sixth Container Terminal was one. (Ref C)

¶2. Ma Chien-kang, Deputy Chief of KHB's Business Development Section, told AIT/K that his office recently learned that the central government's approximately USD62 million subsidy for the project already passed the Legislative Yuan. Ma noted that the subsidy will be spent on infrastructure improvement at the construction site. This improvement will include construction of four wharfs, container yards, and container handling facilities. On February 10, 2006, KHB resumed work on the tender by publishing details of the project and a bidding invitation in local newspapers and on the KHB website.

¶3. According to Ma, who is the responsible official for the project, KHB plans to review and evaluate the applications between September 24 and December 24, 2006, and hopes to sign the contract with the successful bidder(s) in January 2007. KHB hopes that the construction of four berths can begin by June 2007 and that the berths can begin to operate as scheduled by 2010.

¶4. KHB officials acknowledge that more leading shipping carriers are using larger container vessels for their businesses. The larger vessels are usually capable of carrying up to 10,000 TEU containers. However, the Port's existing facilities are limited only to handling 8,000-TEU vessels. KHB officials hope that the new container terminal will become capable of handling larger vessels,

thus effectively keeping the many world level shipping carriers currently operating in Kaohsiung from leaving. Alice Liu, KHB's Business Division Director, confirmed the recent news account that Kaohsiung Harbor had experienced a continuing drop in container traffic in January and February 2006 following its first ever setback in freight handling in 2005. (Ref A) Liu noted that in the first two months of 2006 the Port handled 0.23 less containers from the same period a year ago. The transshipment containers coming through the direct shipping connecting Kaohsiung to the PRC ports of Fuzhou and Xiamen, also showed a drop of 12.62 from the same period of time in the previous year. Liu admitted that construction of the new terminal may be delayed but that without the new facilities the Port of Kaohsiung very likely may face further marginalization when the major shipping carriers all decide to move their businesses to China.

Thiele

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